PROVINCE OF SASKATCHEWAN

09-10

ANNUAL REPORT

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the nineteenth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2010.

Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the nineteenth Annual Report of the Public Employees Benefits Agency Revolving Fund for the year ending March 31, 2010.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Public Employees Benefits Agency Revolving Fund

Introduction

The Public Employees Benefits Agency Revolving Fund was established effective April 1, 1988. The authority for the Fund is contained in Section 65 of *The Financial Administration Act, 1993.*

The intent of the Fund is to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the following plans and programs:

Pension Plans

Public Employees Pension Plan
Public Service Superannuation Plan
Municipal Employees' Pension Plan
Liquor Board Superannuation Plan
Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board
Saskatchewan Transportation Company Superannuation Plan
Anti-Tuberculosis League Superannuation Plan
Members of the Legislative Assembly Benefits Act
Judges of the Provincial Court Superannuation Plan
Saskatchewan Pension Annuity Fund
The Power Corporation Superannuation Plan

Employee Benefit Plans

Public Employees Group Life Insurance Plan
Public Employees Dental Plan
Extended Health Care Plan
Extended Health Care Plan for Certain Other Employees
Public Employees Disability Income Plan
Public Employees Deferred Salary Leave Plan
Government of Saskatchewan Unscheduled Aircraft Plan
Government of Saskatchewan Scheduled Aircraft Plan
SaskPower Supplementary Superannuation Plan
Additional Pension Contribution Program
Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund
Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 and Local No. 600-5 Benefit Plans' Surplus Fund
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Retired Employees
Saskatchewan Government Insurance Service Recognition Plan
SaskEnergy Retiring Allowance Plan
SaskPower Millennium Plan
SaskPower Severance Pay Credits Plan
SaskPower Designated Employee Benefit Plan
Saskatchewan Watershed Authority Retirement Allowance Plan
Saskatchewan Water Corporation Retirement Allowance Plan

Administration

The Fund is managed by the Public Employees Benefits Agency, Saskatchewan Finance.

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis.

Costs relating to a particular plan or program are allocated to that plan. All other costs are allocated to the plans and programs using a formula primarily based on time required to administer these plans and programs.

Financing

Subsection 65(12) of *The Financial Administration Act, 1993*, provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at $5,800,000.

Administration Costs

2010	$12,587,539
2009	$11,399,939
2008	$10,722,356
2007	$9,680,841

All costs are paid by the various plans and programs. Revenue and expenses will therefore equal, leaving the excess of revenues over expenditures a "nil" amount annually.

Management's Report

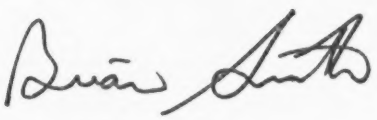
To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Benefits Agency Revolving Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Public Employees Benefits Agency Revolving Fund has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles applicable for governments.

We enclose the financial statements of the Public Employees Benefits Agency Revolving Fund for the year ended March 31, 2010 and the Provincial Auditor's report on these financial statements.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
May 19, 2010

Public Employees Benefits Agency Revolving Fund

Financial Statements

Year Ended March 31, 2010

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Benefits Agency Revolving Fund as at March 31, 2010 and the statements of operations, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 19, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Public Employees Benefits Agency Revolving Fund
Statement of Financial Position
As At March 31

Statement 1

	2010	2009
FINANCIAL ASSETS		
Accounts receivable (Note 5)	$ 719,048	$ 931,991
Total Financial Assets	719,048	931,991
LIABILITIES		
Accounts payable and accrued liabilities (Note 5)	1,583,713	1,671,586
Accumulated net expenditure (Statement 3; Note 2b), Note 3)	4,352,741	4,672,760
Total Liabilities	5,936,454	6,344,346
Net Debt	5,217,406	5,412,355
NON-FINANCIAL ASSETS		
Prepaid expenses	189,500	132,746
Tangible capital assets (Note 4)	5,027,906	5,279,609
Total Non-financial Assets	5,217,406	5,412,355
Accumulated Surplus	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Statement of Operations

Statement 2

For The Year Ended March 31

	2010		2009
	Budget (Note 8)	Actual	Actual
REVENUE			
Administration fees (Note 5)	$14,793,820	$12,587,539	$11,399,939
EXPENSES: (Note 5)			
Salaries and benefits	7,337,769	6,667,682	6,035,477
Contractual services	3,774,597	3,063,891	2,670,548
Amortization	1,123,388	978,945	792,760
Rent	943,890	854,527	654,071
Postage and communications	505,445	365,075	432,833
Supplies	305,698	244,939	303,360
Travel	449,258	224,792	294,928
Advertising/printing	311,975	162,756	189,655
Board and business expenses	22,400	22,860	19,548
Repairs and maintenance	19,400	2,072	6,759
Total expenses	14,793,820	12,587,539	11,399,939
Net income	$ -	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Statement of Changes in Accumulated Net Expenditure

Statement 3

For The Year Ended March 31

	2010	2009
Financing provided by operating activities:		
Net income	$ -	$ -
Amortization of capital assets	978,945	792,760
Loss on disposal of capital assets	-	2,699
Decrease in accounts receivable	212,943	656,494
Decrease in accounts payable and accrued liabilities	(87,873)	(1,121,601)
Increase in prepaid expenses	(56,754)	(5,594)
Net financing provided by operating activities	1,047,261	324,758
Financing required for investing activities:		
Purchase of capital assets	(727,242)	(1,354,307)
Net financing required for investing activities	(727,242)	(1,354,307)
Net decrease (increase) in financing requirements	320,019	(1,029,549)
Accumulated net expenditure, beginning of year	(4,672,760)	(3,643,211)
Accumulated net expenditure, end of year (Statement 1)	$(4,352,741)	$(4,672,760)

(See accompanying notes to the financial statements)

Public Employees Benefits Agency Revolving Fund
Notes to the Financial Statements
March 31, 2010

1. Authority and Definition of Accounting Entity

The Public Employees Benefits Agency Revolving Fund (Revolving Fund) was established under Section 65 of *The Financial Administration Act, 1993* to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various pension plans and benefit programs administered by PEBA in accordance with the policy described in Note 2(c).

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable for governments. These financial statements do not present a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following policies are considered significant:

a) **Net Financing Requirements**

The net financing requirement is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations.

b) **Accumulated Net Expenditure (Recovery)**

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated net expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's net capital acquisitions, changes in working capital and net cash flow from operations.

c) **Revenue – Administration Fees**

The costs incurred by PEBA in the administration of the various pension plans and benefit programs are billed on a monthly basis to these plans and programs, as follows:

i) Costs directly relating to a particular pension plan or benefit program are charged to that plan or program.
ii) All other costs are charged to the various pension plans and benefit programs using a formula primarily based on employees' time required to administer these plans and programs.

d) **Tangible Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is recorded commencing the year in which the assets are placed in service, on a straight-line basis, over their estimated useful lives as follows:

Computer hardware and software	5 years
System development and furniture	10 years
Leasehold improvements	over the term of the lease

Work in progress assets include system development and leasehold costs incurred for systems not yet placed into service.

e) **Use of Estimates**

These statements are prepared in accordance with Canadian generally accepted accounting principles applicable for governments. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum accumulated net expenditure to be set by order of the Lieutenant Governor in Council. The maximum amount has been set at $5,800,000 by Order in Council 116/2009.

4. Tangible Capital Assets

	2010							2009
	Computer Hardware	Computer Software	Furniture	System Development	Leaseholds	Work in Progress	Total	Total
Opening costs of tangible capital assets	$829,530	$468,776	$372,731	$6,022,739	$902,316	$500,675	$9,096,767	$7,877,864
Additions during year	82,723	64,677	0	593,529	6,239	(19,926)	727,242	1,354,307
Disposals during year	(40,790)	0	0	0	0	0	(40,790)	(135,404)
Closing costs of tangible capital assets	871,463	533,453	372,731	6,616,268	908,555	480,749	9,783,219	9,096,767
Opening accumulated amortization	403,843	279,000	229,193	2,591,301	313,821	0	3,817,158	3,157,103
Annual amortization	149,606	56,659	33,285	590,361	149,034	0	978,945	792,760
Disposals during year	(40,790)	0	0	0	0	0	(40,790)	(132,705)
Closing accumulated amortization	512,659	335,659	262,478	3,181,662	462,855	0	4,755,313	3,817,158
Net book value of tangible capital assets	$358,804	$197,794	$110,253	$3,434,606	$445,700	$480,749	$5,027,906	$5,279,609

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Fund by virtue of common control by the Government of Saskatchewan. These financial statements also include transactions with non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Expenses include $1,820,498 (2009 - $1,823,298) that the Ministry of Finance incurred on PEBA's behalf for rent and certain administrative services provided to the Revolving Fund. The Revolving Fund bills the pension plans and benefit programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993,* to recover those expenses. Amounts received by the Revolving Fund relating to these costs are paid to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993.*

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and certain administrative costs. These costs have been absorbed by various ministerial appropriations and therefore, no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon rates and are settled on agreed upon terms.

The following table summarizes the Revolving Fund's related party transactions.

	2010	2009
Administration fees	$12,577,941	$11,388,609
Expenses:		
Salaries and benefits	971,453	890,590
Rent	834,250	644,406
Postage and communications	338,884	402,692
Supplies	5,913	24,264
Contractual services	20,059	16,639
Travel	7,096	15,828
Repairs and maintenance	1,032	4,745
Board and business expenses	656	493

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	2010	2009
Accounts receivable	$719,048	$930,295
Accounts payable and accrued liabilities	$293,675	$308,916

6. Amount Reported in Public Accounts

The net (expense) recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other

adjustments between the Revolving Fund and the General Revenue Fund:

	2010	2009
Net income	$ -	$ -
Decrease (increase) in net capital assets	251,703	(558,848)
Amounts not included in Public Accounts due to timing	(104,665)	105,533
Net recovery (expense) reported in Public Accounts	$147,038	$(453,315)

7. Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities approximates their carrying value due to their immediate or short-term nature.

8. Budget

The various pension plan and benefit program boards approved their component of the annual budget. A copy of the annual budget was also submitted to Treasury Board.